

How home buying has changed

Finding a house and applying for financing are easier from when your parents did it. Coming up with the money? Not easier.



Lemly with a painting of her townhouse. Her buying experience was vastly different from that of her parents, who bought their first home, a twin in Mayfair, in 1988.



Allison Lemly's kitchen. The home-buying experience has changed over the last generation. Technology has made the process easier, but many first-time buyers struggle to save a down payment. MONICA HERNDON / Staff



Homebuyer Allison Lemly (second from left) with fiancé Brian Pearce and parents Kathy and Gerry Lemly. She bought her first home, in Bucks County, in 2020. MONICA HERNDON / Staff Photographer

BY TERRI AKMAN (FOR THE INQUIRER)

Allison Lemly bought her first home in 2020, a townhouse in Perkasie, Bucks County. The home covered most of her wish list: at least three bedrooms, more than one bathroom, a kitchen in good shape, and a basement.

Though the timing was tricky during the pandemic and strong seller's market, Lemly had done her homework and was prepared to act quickly.

"I was saving money until I could afford to buy a house on my own and started looking at the end of 2019," said Lemly, 29, a financial adviser with Ameriprise Financial in Warrington. "Then COVID hit and I took a break. I

was on my lunch break one day and went on Realtor.com, and this house popped up on the market and had everything I was looking for."

But she'd have to act fast. The sellers were offering a Zoom tour the next day. She sent the link to her fiancé and her father, and with their blessings, she took the virtual tour.

"They were only offering three showings of the house in person, so I called the Realtor immediately after the Zoom tour and said I'd like to come in for a showing," recalled Lemly, who offered the asking price of \$285,000 and got the house.

Lemly's experience was very different from that of her parents, who bought their first home in 1988. They had been combing newspaper real estate sections for about two months when a customer from her father's lawn business mentioned he was selling his home, and it turned out to be the perfect fit.

The twin in Mayfair had three bedrooms, a new kitchen, and central air. It cost \$90,000, which was the upper end of her father's budget. He estimates his monthly mortgage payments were about 25% of his monthly income.

"I've always been a huge saver, so now that I was getting married, it was the natural progression to buy a house," said Gerry Lemly, 60, of Churchville, a private wealth adviser with Ameriprise. "We wanted to live in Mayfair because that was where our family and friends all lived. And the house had been completely redone. All we had to do was paint."

The home-buying experience has seen many changes over the last generation. Technology has made the process easier, but many first-time home buyers are struggling to save enough money for a down payment, compete with other buyers in a hot seller's market, and qualify for loans.

Home searches now start online

In 2020, first-time buyers made up 33% of all home buyers, according to the National Association of Realtors Research Group 2020 Home Buyers and Sellers Generational Trends Report. Fifty-two percent of home buyers aged 30 to 39 and 88% of buyers 29 and younger were first-timers. Of buyers 40 to 54 years old, 23% were choosing their first home.

Among all generations, the search starts online, the study found.

"We all go shopping in sweat pants and pajamas, from condominiums to single-family houses to Instacart," said Nancy Alperin-Regni, president and CEO of Maxwell Realty in Rittenhouse Square, and a Realtor for more than 30 years. Google, Realtor.com and Zillow are popular and time-saving places to start a home search today, she said.

While previous generations relied on newspaper ads, word of mouth, and agent-led house tours, today's buyers can research properties and neighborhoods, search specific amenities, conduct virtual walk-throughs, and apply for mortgages online.

Though the search process may be different, first-time buyers today generally want the same things their parents sought, including three bedrooms and a nice kitchen in a good school district, said Alperin-Regni. Unlike many of their parents, today's buyers also seek greater outside space and an additional home office.

From a lending standpoint, much more information is readily available online today, though home buyers should verify its accuracy and may need further explanation from a financial professional, said Joseph Aiken, vice president of residential lending for Firsttrust Bank, based in Horsham and Cherry Hill.

"The loan process has become much more efficient, and the documentation has been streamlined," said Aiken, who has been in lending for 39 years.

Though interest rates have risen significantly in recent months, borrowers last year could get a 2.5% mortgage on a 30-year fixed rate loan, compared with the 17% or 18% their parents faced in the early 1980s, Aiken said.

Allison Lemly's rate is 3% for 30-year fixed mortgage, while her father paid about 8% for the same term.

Some first-time home buyers can qualify for state-offered loans from agencies including the Pennsylvania Housing Finance Agency and New Jersey Housing Finance Agency, which may offer a slightly lower interest rate than a bank. The loans come with specific requirements regarding the cost of the house and the buyer's income.

"That's where a good lender comes in," Aiken said. "They will educate you about these products as well as anticipated monthly payments and the money needed to buy a home. People are sometimes shocked when they are told they will need more money for closing costs in addition to the down payment."

Getting advice and financial help from family and friends

Today's first-time buyers still depend on family members for advice and often financial help.

"We've come a long way in the last 30 years, but old school is still here," Alperin-Regni said. "I still see them bringing a family member with them to showings."

Allison Lemly's father had lots of experience to offer, having bought several homes for himself and as investments, as well as through his work as a financial adviser. He encouraged her to buy a home as soon as she could afford it, to begin building equity, and not to panic in a seller's market.

"We had a good feel for what was out there and what people were asking for," Gerry Lemly said. "We took the attitude that if we don't get it, we'll find something else."

Whether it's a buyer's or seller's market, Alperin-Regni advises clients to be prepared when the right house becomes available. Know your budget and research the sale price of comparable houses in the neighborhood so you can act quickly when you find what you love.

The median down payment for first-time buyers in 2019 was 6%, and about a third of buyers received a gift or loan from a relative or friend to help, according to the National Association of Realtors (NAR). (Lemly did not receive a gift or a loan from her parents.)

For the same group in 1989, the median down payment was 10%. In 2000, the first year the study included gift or loan data, 27% of first-time home buyers received a monetary gift toward the down payment.

"Families who have the resources to help value what real estate has done for them," said Alperin-Regni.

While some parents may not write their children a check toward a new house, they help indirectly, Aiken said. Whether paying for their post-high school education or allowing them to move back home rent-free for a year or two, they help their children to save money.

"A student loan restricts what you're going to be able to buy," he said.

"Today, first-time homebuyers are OK living with their parents for a little bit, which enables them to save money for a down payment. In prior years, people didn't want to stay at home, and they would rent or buy as quickly as they could."

The down payment hurdle

For many, the biggest challenge in buying a house is coming up with the down payment. The NAR points to student loans, car loans and credit card debt as the biggest expenses that delayed saving for a down payment.

A couple living an average lifestyle while earning average salaries in their geographic market could save for a down payment in a little over a year, according to the Time to Save study, conducted in March 2022 by Self Financial, a credit building fintech company. This doesn't account for emergencies and presumes the only things you are putting money toward are

retirement and a down payment, said Lauren Bringle, an accredited financial counselor at Self Financial.

"When you're on your own, however, the story changes dramatically," she said.

According to the study, the majority of single women in every state are unable to put away any money monthly for a down payment, while in 34 states, most single men could save at least some, largely due to men having higher average pay.

"Despite this, there are only 25 states where a single man can save their down payment and closing fees in under five years," Bringle said.

Financial advisers often suggest that a mortgage payment shouldn't be more than 28% of a buyer's monthly pre-tax income and 36% of a buyer's total debt.

Pennsylvania and New Jersey are two states where it's hard to save. The study found that in Pennsylvania, a first-time homeowner would need \$13,797 on average for a down payment and closing costs and would expect to spend an average of \$1,149.75 on rent and living costs each month. In New Jersey, the down payment and closing costs are \$19,963 on average, and monthly rent and living costs are \$1,663.58.

"A separate study produced in December 2021 looked at generational wealth, and it found that today's 40-year-olds own half the wealth of older generations when they were the same age," Bringle said.

Allison Lemly beat the odds and is now a happy homeowner. Though the process taught her a lot, she discovered there's always more to learn.

"There are always surprises with homeownership," she said. "I owned the house for four months, and my hot water heater went. I did have a home inspection so that was a surprise. But the process of buying was fairly easy. Working with a good mortgage company, I felt like I was in good hands."